



**Director of
Central
Intelligence**

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National Intelligence Daily

***Wednesday
10 March 1982***

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①

CENTRAL AMERICA: Crackdown in Guatemala

The Guatemalan Government's suppression of a rally protesting electoral fraud will heighten domestic tension and international criticism of the regime. The Salvadoran election process, meanwhile, is intensifying [redacted]

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Although recent insurgent raids on several cities and towns in eastern El Salvador have generally caused little damage, [redacted]

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In Nicaragua, the regime--worried about adverse international publicity--has reacted swiftly and angrily to the defection on Sunday of two Sandinista Air Force officers. [redacted]

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Guatemalan authorities yesterday temporarily detained the three losing presidential candidates--and may still be holding one of them--after forcibly dispersing a demonstration by their supporters in the capital. In an unprecedented effort, the three losers had called out their backers for a combined protest against the declared victory of ruling coalition candidate General Guevara. Charging the government with fraud, they had demanded that the election be nullified and a new vote held within 60 days. [redacted]

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Comment: The government's heavyhanded response indicates an aggressive state of mind and suggests that the authorities may strike out at some of their political enemies during the next few days. [redacted]

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The collaboration among the three losing candidates and the regime's suppression of dissent will lend further credence to the charges of vote tampering. The election and its aftermath ensure growing public cynicism and a deepening of the international isolation in which Guatemala has languished for several years. [redacted]

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Salvadoran Electoral Activity

Four of the parties contesting the elections scheduled for 28 March have presented full slates of candidates for the constituent assembly in all of the country's

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14 departments. These parties include the cogoverning Christian Democrats and the two major rightist groupings, Roberto D'Aubuisson's ultraconservative National Republican Alliance and the National Conciliation Party. One other rightist party will field candidates in most departments, while another is on the ballot in more than half.

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The Central Elections Council claims that the leftist but noninsurgent-affiliated Renewal Action Party did not make the deadline for registration of assembly candidates. Disputing this, the party head has charged the Council with fraud. The Christian Democrats also have asked the Council to reconsider.

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Comment: The success of the parties in fielding complete slates gives voters definite choices and thus should enhance voter turnout. The parties' success also casts some doubt on the effectiveness of guerrilla efforts to inhibit political organizing in individual departments.

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4 The Christian Democrats' request that the decision against the Renewal Action Party be reconsidered reflects their concern that exclusion of the only leftist party will reinforce insurgent claims that the elections are not representative and therefore not valid. The Christian Democrats probably also regard this party as their most likely supporter in any coalition.

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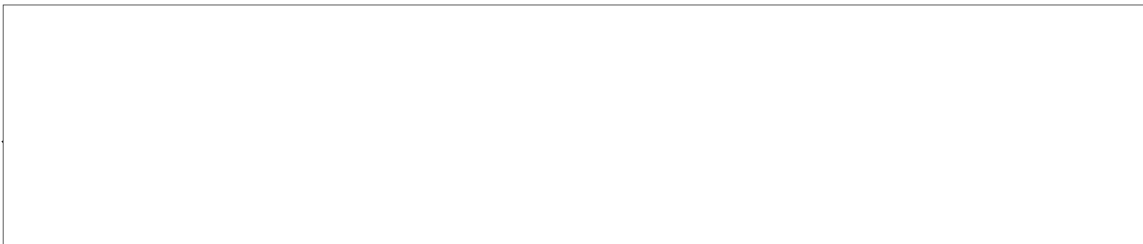


Army Repels Insurgents

7 After bitter fighting on Monday, the Salvadoran Army drove insurgents from the departmental capital of San Miguel. The guerrillas also were driven off after attacking San Vicente, San Sebastian, and Santa Rosa de Lima. 

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Comment: The Salvadoran military, aware of guerrilla plans to attack San Salvador and other major cities, has taken appropriate defensive measures. Although the Army can prevent the insurgents from seizing and holding major population centers, the presence of a large international press contingent in El Salvador assures the guerrillas considerable propaganda for their actions.

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Sandinista Reaction to Defections

Nicaragua's official media reported prominently the defection of two military officers within a few hours of their arrival in Honduras aboard a Sandinista Air Force C-47 aircraft. The government characterized the defection--including that of the Air Force's Chief of Transportation--as a maneuver planned by the US to destabilize the Sandinista regime and confuse national and international opinion.

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Comment: The government is concerned that Washington and others will use the officers' knowledge of the Sandinista military and Nicaraguan arms shipments to Salvadoran insurgents to tarnish even further the regime's international reputation.

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2 CHINA - CENTRAL AMERICA: Qualified Support for US

1 China's public statements about Central America recently have
2 become more critical of the US, although Chinese officials privately
3 say that they support US aims in opposing Cuban and Soviet inroads
4 in the region. []

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2 The Chinese privately profess support for some US
3 policies in Central America, including the Caribbean
4 Basin initiative, to promote stability. On El Salvador,
1 Beijing has withheld public endorsement of other approaches,
2 including the Mexican-French proposal for unconditional
3 talks, and has avoided direct criticism of the Duarte
4 government or the impending elections. The Chinese,
1 however, continue to play to Central American audiences
2 by describing US policy in El Salvador as "interference"
3 that only benefits Cuba and the USSR. []

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2 China's desire to dissociate itself from Washington
3 stems in part from the Taiwan problem and from its recent
4 effort to identify more closely with Third World causes.
1 Beijing is criticizing the US on selected issues and
2 publicizing its own alignment with general leftist causes
3 in Central America to improve its image there. []

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3 Comment: The Chinese will continue publicly to
4 criticize the US and privately to counsel against direct
1 US military intervention. At the same time, however, they
2 almost certainly will avoid diplomatic actions that
3 would complicate US efforts to check Soviet and Cuban
4 policy in the region. []

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Island	Population (Growth Rate)	GNP (Million Dollars)	Per Capita Income (Dollars)	Unem- ployment (Percent)	Police	Military
Antigua- Barbuda	74,000 1,200 (1.3)	84	1,150	18	419	60 Regular 60 Volunteer
Barbados	253,000 (0.4)	700	2,333	12	882	165
Dominica	78,000 (1.2)	30	410	25	335	—
Grenada	105,000 (1.0)	70	630	30	360	1,500 Army 2,000 Militia (Estimated)
St. Christopher- Nevis	58,000 12,000 (0.9)	40	780	20	246	53 Voluntary Paramilitary Corps
St. Lucia	123,000 (1.7)	90	780	35	353	—
St. Vincent and Grenadines	115,000 (1.5)	50	490	40-50	366	—
Trinidad and Tobago	1,100,000 (1.5)	5,300	4,417	10	4,000 1,000 Rural	2,000

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③ CARIBBEAN-US: Concerns About Aid Proposal

Reactions to recent US policy initiatives in the Caribbean have been generally favorable, but the small eastern islands are expressing some reservations.

The eight English-speaking islands now include seven independent nations and one self-governing territory-- St. Christopher-Nevis. Most of them face high levels of unemployment, heavy debt burdens, declining commodity prices, and chronic middle class emigration.

Many of the ministates believe that the stress on trade and investment in the US initiative overlooks their need for basic infrastructure and development aid. Prime Minister Adams of Barbados, for example, is concerned that economic growth is slowing, and he wants direct US assistance for government-sponsored housing programs.

1-4 Adams, in particular, shares the view of several leaders of the smaller islands that the US is lavishing excessive attention on Jamaican Prime Minister Seaga as the "exemplary Caribbean leader." They argue that in recent years their countries have been more democratic and more reliable Western allies than Jamaica and that they are now being shortchanged. Nonetheless, they hope that expanded US assistance will enable them to maintain stability as they attempt to cope with poverty, growing unemployment, nascent radical movements, and generally weak security establishments.

2
3
4 Prime Minister Chambers of Trinidad and Tobago and other Trinidadian officials reportedly are irked by a lack of US recognition for their considerable aid to the region. Nevertheless, they seem generally receptive to the plan and have expressed a desire for detailed discussions to determine how it will impact on Trinidad and other eastern Caribbean states.

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4 Comment: The complaints being voiced do not yet represent a serious problem. The eastern Caribbean islands lack the natural resources and basic infrastructure of Jamaica, and they are likely to urge that US policy toward the subregion should be modified to their particular needs. The US initiative is certain to be on the agenda of the meeting of the region's foreign ministers that begins in Belize on 29 March.

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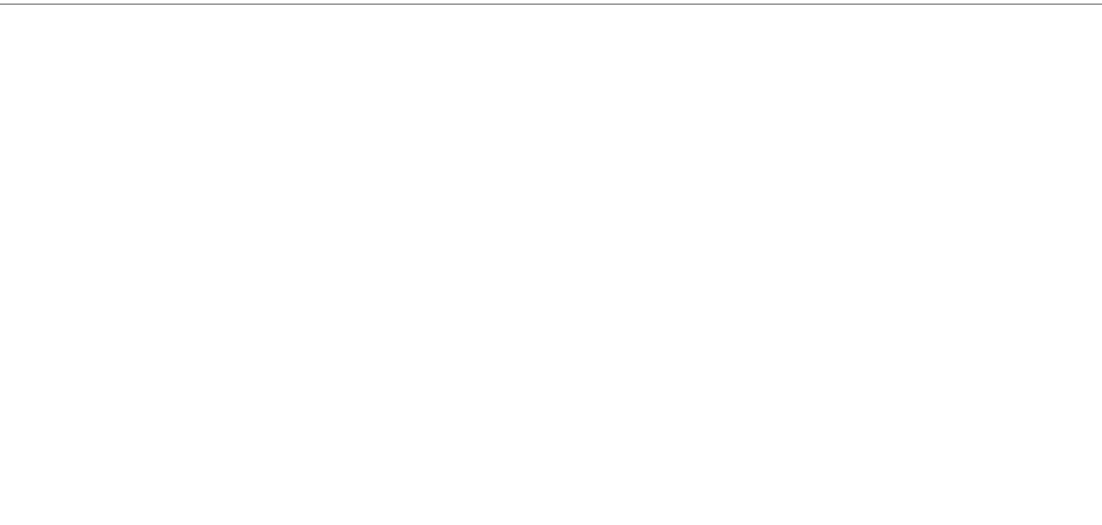
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⑤ USSR: Decline in Industrial Output

Civilian industrial production fell an estimated 3.5 percent in January compared with January 1981--output declined in every major sector except electric power and gas.

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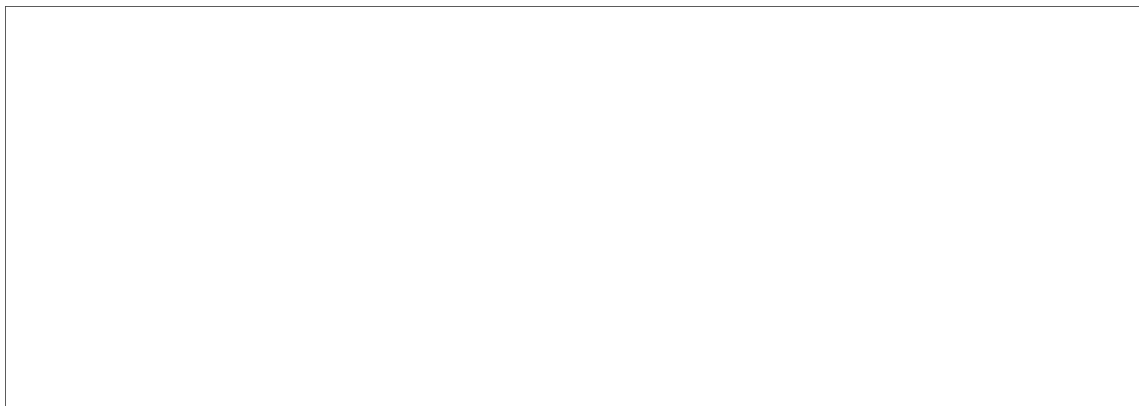
1-10 Slow growth and inadequate investment have created a taut economy in which a breakdown in production or distribution in any part of the USSR quickly causes secondary disruptions elsewhere. Moreover, the economy is particularly strained in January, when space heating requirements are high and many industrial processes require larger-than-usual supplies of energy.

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The effects of the energy shortage were felt throughout the economy in January. Cement, steel, and paper--which require considerable amounts of energy--suffered declines.

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IRELAND: New Government

The tenure of the new minority government headed by Prime Minister - designate Haughey could be cut short by economic difficulties or by problems with his party.

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Neither Haughey's Fianna Fail Party nor the incumbent Fine Gael - Labor coalition won a majority of the parliament's 166 seats in the election last month. Fianna Fail did gain a plurality, however, and Haughey was able to win yesterday by a vote of 86 to 79 by convincing most independents and minor party members to support him.

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Comment: Haughey will be concerned primarily with finding a solution to the economic crisis. Inflation is currently running about 23 percent annually, and unemployment is just under 13 percent, with no relief in sight.

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The new budget that Haughey will submit soon is likely to be almost as austere as the one that toppled the FitzGerald government. Haughey's budget probably will be approved by parliament, however, because he almost certainly made concessions to win the support of minor parties and independents.

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The support is likely to dissipate quickly if the economy does not begin to respond within the next few months. Moreover, Haughey barely survived an internal party revolt late last month, and if his party's popularity continues to wane he may be removed before the parliament has a chance to bring down the government.

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① POLAND: Internees Reject Exile

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the vast majority consider accepting the regime's offer of exile tantamount to desertion. Solidarity has been holding votes in the camps to formulate a uniform policy and to present the majority opinion to the authorities. In a statement reportedly smuggled to the West, internees in one camp denounced the government offer as blackmail and called for an investigation by international human rights groups. Meanwhile, the government is putting pressure on internees and their families to leave Poland.

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Comment: The regime's ploy to rid itself of Solidarity militants and a major international embarrassment is backfiring. Solidarity will use this emotional issue to revitalize its organizing efforts. The offer also is again focusing international attention on human rights violations and earning new criticism from the West.

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② SOUTHERN AFRICA: Frontline Summit Results

Leaders of the Frontline States, who met over the weekend in Maputo, agreed to coordinate military plans in response to South Africa's aggressive activities in the region and to increase their support to the African National Congress--the principal South African black nationalist group--and to the South-West Africa People's Organization. Leaders of both these groups attended the meeting.

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Comment: Despite the rhetoric in the communique, military cooperation among the Frontline States and support for the ANC and SWAPO probably will not increase markedly any time soon. The attendance of all Frontline presidents as well as some of their key advisers on Namibia suggests that the Western Contact Group's proposals for an independent Namibia also were discussed, but no consensus apparently was reached over this contentious issue.

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UK: New Budget

In presenting the budget yesterday, the Chancellor of the Exchequer reaffirmed the government's basic economic strategy for reducing the current 12-percent annual inflation rate to single digits by the end of this year. He also introduced measures totaling about \$5.7 billion to stimulate industry and reduce unemployment, currently around 3 million. Income tax rates will not be reduced, but the tax threshold will be raised, the national insurance surcharge will be lowered, and unemployment insurance, child benefits, and retirement pensions will be increased. Total government borrowing is expected to be \$17 billion this year. [redacted]

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Comment: This budget probably represents the launching of the government's campaign for the election that will have to be held no later than May 1984. It is intended to signal that the worst of the recession is over, thereby satisfying the Tory right wing and vindicating Prime Minister Thatcher's entire program. It also satisfies some if not all the complaints of Thatcher's critics in the party, who will increasingly rally around her in hopes of presenting a united front.

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CHINA - WESTERN EUROPE: Contacts With Communist Parties

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The high-level hospitality accorded the French Communist Party delegation by the Chinese and their apparently successful talks in Beijing this week highlight China's increased interest in cultivating better relations with Communist parties in Western Europe. The Chinese recently have supported the Italian Communists in their dispute with Moscow and reportedly will reestablish relations with the Dutch Communist Party, which is upset by Soviet policy in Poland. Following the meetings this week, China has issued an open-ended invitation to French Communist leader Marchais to visit Beijing. [redacted]

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SPECIAL ANALYSIS

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USSR-GREECE-TURKEY: Soviet Policy

Soviet interests in the eastern Mediterranean so far have not been advanced in any tangible way by the accession of a socialist government in Greece. Because of its strategic importance, Turkey has long been the primary target of Soviet diplomacy in the region, although Moscow has increased its criticism of the military regime. The complex problems of Cyprus and the Aegean, among others, have led the Soviets to pursue a cautious policy to avoid alienating either Athens or Ankara.

The USSR has welcomed Prime Minister Papandreou's assurances that he will pursue an independent foreign policy despite Greece's membership in NATO and the EC. The Soviets were particularly pleased by his refusal to condemn openly martial law in Poland and support the EC on sanctions.

Papandreou's failure to take additional explicit independent steps, however, has dampened Moscow's hopes for a quick substantive improvement in bilateral relations. Soviet press commentary on the socialist government, while largely positive, has conveyed this disappointment.

The Soviets are uneasy about Papandreou's appeals to Greek nationalism and apprehensive over the traditional Greek animosity toward Turkey, fearing that open hostility could erupt and force them to take sides.

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Moscow's willingness to offer significant economic incentives will affect the future course of relations with Athens. Papandreou evidently is as disgruntled as his predecessors with the Soviets' tightfisted approach to economic cooperation. [redacted]

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[redacted]
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[redacted] The Papandreou government has reopened a Greek shipyard for repair of Soviet merchant ships and naval auxiliaries, and Moscow has agreed to purchase part of Greece's large stock of citrus fruit. [redacted]

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Focus on Turkey

Turkey has always been Moscow's major concern in the region. Although the Soviets did not welcome the military takeover in September 1980, their public reaction was restrained. [redacted]

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1-5 Early this year, however, the Soviets began to criticize the Turkish regime and its moves against leftist opponents. The initial attacks were prompted by a desire to discredit Western criticism of the martial law regime in Poland, and the Soviets accused the US in particular of hypocrisy for supporting a military regime in Turkey. Moscow's criticism probably is also designed to appeal to the Papandreou government. [redacted]

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Despite the coolness of its dealings with Ankara, Moscow appears unwilling to push disputatious issues far enough to jeopardize relations. The Soviets have commended the military government's refusal to follow the Western lead in imposing economic sanctions on the USSR and Poland and have refrained from taking the Turkish regime to task on human rights at the CSCE review conference in Madrid. [redacted]

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The Cyprus Issue

The Soviets previously have kept the Cyprus problem at arm's length, unwilling to risk antagonizing either the Turks or the Greeks. [redacted]

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During his recent visit, Papandreou and Cypriot President Kyprianou expressed support for an international conference under UN auspices--originally a Soviet proposal--to resolve the dispute. The USSR would be eager to participate in such a conference, working to preclude any solution that would truly reconcile Greece and Turkey and help stabilize the region.

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Outlook

Faced with the continued uncertainty about Papandreou's ultimate policy course and the ostensibly temporary nature of the military government in Ankara, the Soviets probably will try to continue their cautious policy toward the two countries and the issues that divide them. Recent Soviet commentary suggests a diplomatic "opening" to Athens but makes it clear that the next steps lie with the Greeks.

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1-5 If Papandreou eventually orients his foreign policy more toward the East, however, Moscow almost certainly will pay more attention to Athens. In any event, the Soviets will persist in their attempts to disrupt Washington's relations with both Greece and Turkey.

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INR Comment

INR believes that Soviet overtures to Papandreou as well as recent Soviet media commentary indicate a definite pro-Greece tilt in USSR policy for the moment. Moscow evidently calculates that such a shift may give it some possibility of influencing Papandreou's foreign policies. The Soviets probably see few opportunities in Turkey at this juncture and consider the potential advantages of an "opening toward Greece" worth the risk of a temporary increase of friction with Ankara.

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